



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

ANDREW C. SISK, CPA
Auditor-Controller
E-mail: asisk@placer.ca.gov

NICOLE C. HOWARD, CPA
Assistant Auditor-Controller
E-mail: nhoward@placer.ca.gov

January 28, 2021

Mr. Jarrett Thiessen, Chief Information Officer
Placer County Department of Information Technology
2986 Richardson Drive
Auburn, CA 95603

Re: Countywide Procurement Card Program Audit

Dear Mr. Thiessen:

The Internal Audit Division of the Auditor-Controller's Office routinely reviews and/or audits the Procurement Card purchases. After completing the monitoring review for the period of January 1 to June 30, 2019, the Internal Audit Division initiated a compliance audit for the period of July 1, 2019 to March 13, 2020. The objective of the audit was to review Procurement Card usage for compliance with County policies and evaluate the administration of the Procurement Card Program for adequate internal controls.

We reviewed a sample of the Department of Information Technology's (Department) Procurement Card purchases and related documentation files to ensure the Department's compliance with current policies and procedures, and to determine if adequate internal controls are in place and operating as designed. Based on our monitoring review and compliance audit, we determined there were several instances of non-compliance with County policies and procedures related to Procurement Card purchases, as well as areas where internal controls could be strengthened. Accordingly, our observations and recommendations are as follows.

Observation #1– Unallowable Charges per County Policies

We found instances in which Cardholders used their Procurement Cards to pay for goods and services or personal expenses that are not allowed by County policies. Additionally, reimbursement for some of the transactions were not made timely.

Section 2.0 of the Procurement Card Policy (PCP) states, "County issued Procurement Cards are authorized for the purpose of conducting County business. The card is strictly for official County use and may not be used for personal purchase or under circumstances that would create a conflict of interest."

Section 1.3 of the Procurement Card Program Procedures Manual (PCPPM) states, "If the card is used in an unauthorized manner, repayment must be coordinated with the Cardholder Supervisor/Manager and Fiscal staff. Repayment in full for unauthorized use must be made immediately."

Per Section 3.1.6 of the PCPPM states, "If there are Procurement Card unallowable charges per the applicable policies (e.g. Meals & Travel, Procurement Policy or other related or applicable policies), the Cardholder shall provide payment, as reimbursement, to the Limited Program Administrator. The Limited Program Administrator will deposit the funds to offset the charge."

Example #1: The Cardholder inadvertently used the Procurement Card for personal expenses totaling \$40 on 3/1/2019 which was subsequently reimbursed by the Cardholder. However, the Cardholder did not reimburse the County within the reconciliation period. Specifically, the Cardholder took 81 days after the transaction to reimburse the County.

Example #2: The Cardholder inadvertently used the Procurement Card for personal expenses totaling \$236.08 on 11/17/2019 and stated that he will reimburse the County. However, we did not find proof of reimbursement in the Wells Fargo system. Upon auditor's inquiry, the Department provided the cash sale number to support the reimbursement of \$236.08 on 12/17/2019.

Recommendation #1

We recommend Cardholders and Approving Officials revisit and understand the PCPPM to ensure that Procurement Card purchases are following all applicable County policies and procedures. Further, we recommend Cardholders exercise due care when making purchases to ensure the method of payment is appropriate. By exercising extra caution, this will minimize the chance of accidental use of the Procurement Card for personal expenses.

In addition, we recommend the Department put a system in place to ensure, if a Cardholder uses the Procurement Card for unallowed purchases, that reimbursement to the County is made immediately.

Department's Response:

The Department acknowledges the observation and recommendation noted. The personal expenses inadvertently charged on the County Credit Card were both reimbursed however, they were not reimbursed within the same time frame as the charge was posted within the Wells Fargo system. The Cardholder has notified the Department that he will exercise extra caution when using his credit card to ensure it will not happen again. All cardholders have been reminded of the Credit Card processing timelines and understand that should erroneous charges occur, reimbursements are to be done immediately with cash sale backup uploaded to the Wells Fargo Systems within the same time period.

Observation #2– Purchases were Approved without Adequate Documentation

We identified numerous instances where procurement purchases were not supported with adequate documentation. This included:

- Travel costs were not supported with Travel Request (TR)/Spend Authorization (SA) number,
- Missing justification for airport daily or garage lot,
- Missing proof of reimbursement for parking overage, and
- Supporting documentation was uploaded after the reconciliation period.

Section 3.2 of the PCP discusses the accountability of Cardholder and Approver and states, "Cardholders shall review their statement of transactions and provide the appropriate documentation for all purchases. All transactions must be submitted and reviewed by the Cardholder within the defined timeframe for each cycle period..... Approvers shall review the Cardholder's transactions and confirm that appropriate documentation is provided, the purchase is appropriately budgeted, and in accordance with County policies and procedures. All transactions must include the applicable department accounting information and be reviewed by the Approvers within the defined timeframe for each cycle period."

In addition, Section 3.3 of the PCPPM states the Limited Program Administrator (LPA) shall "ensure that any needed documentation is attached to each cardholder statement and that the online documentation represents a full and complete summary of all the needed and required documentation to validate the purchases."

Travel Costs were not Supported with TR/SA Number

Overnight travel-related expenditures (e.g., lodging expenses, airfare, airport parking, meal, etc.) were not supported with an approved TR/SA in the Wells Fargo system.

Example: On 9/13/2019, a Cardholder incurred lodging expense totaling \$683.68 during an out-of-town County business trip. However, the lodging expense was not supported with an approved TR or reference of the SA number. Also, we did not find an itemized hotel bill along with other documentation that is required for lodging reimbursement. In addition, we noted the amount charged on the hotel receipt did not agree to the transaction amount.

Per the hotel receipt, the total amount charged was \$846.95 for the three-night stay. Per the description, "Receipt reflects full price of room, deposit shows on July WF Statement". While we confirmed that there was a transaction for \$282.32 on 7/31/2019 for the deposit, the remaining balance should be \$564.63 (\$846.95 less \$282.32 deposit) instead of \$683.68 that was charged. This represents a difference of \$119.05.

Upon auditor's inquiry, the Department provided the spend authorization for the travel expenses along with the itemized hotel bill which supports the total lodging expense of \$683.68.

Section 3.1A¹ of the Meals, Lodging, Travel, and Transportation Policy (MLTTP) states, "With overnight travel, a Travel Request on Official Business form should be completed with the exception of County staff attending Board of Supervisor meetings in Tahoe (or Auburn, for Tahoe staff)."

Please note that the revised MLTTP went into effect on 5/5/2020, and it added language to include Spend Authorization which now reads, "With overnight travel, a Travel Request on Official Business form or Spend Authorization should be completed with the exception of County staff attending Board of Supervisors meetings in Tahoe (or Auburn, for Tahoe staff). Travel Requests and Spend Authorizations are a means of documenting approval for estimated travel costs, and for the latter, committing the funds."

Section 3.6B² of the MLTTP states, "An itemized hotel bill is always required for lodging reimbursement to be made. Reimbursement should be for single room rate. Required documentation of the conference lodging rate includes copy of conference registration information showing location, dates of conference, conference hotel(s), and single room rate."

Missing Justification for Airport Daily or Garage Lot

Example: On 7/19/2019, the Cardholder incurred \$18 charge for parking at the airport daily garage. However, we did not find any explanation included in the supporting documentation in the Wells Fargo system to justify the special circumstance that would require parking at the daily garage and the Approver approved the statement without the supporting documentation. The parking overage is \$8 (\$18 less \$10 economy parking = \$8).

Upon auditor's inquiry, the Department provided the business purpose justification for the parking at the airport daily garage.

Page 58 of the Accounting Policies & Procedures Manual (APPM) states, "Expenditures for goods and services must be reasonable and necessary. Reasonable purchases are those for basic goods and services obtained at the lowest possible price.....Services should be the least costly that still perform the required function. Necessary purchases are those required by County departments to fulfill their respective missions."

Section 3.6B3³ of the MLTTP also states that parking expenses are "reimbursable at the least costly rate reasonably available (e.g. economy parking lot at the airport)."

Please note that the revised MLTTP went into effect on 5/5/2020, which now states that travel-related expenses are "reimbursable at the least costly rate reasonably available (e.g. economy parking lot at the airport is preferred, however the daily or garage lot might be allowed under certain travel circumstances if approved by the Department Head)."

¹ Section 3.1A is now Section 3.1a of the revised MLTTP that was updated on 5/5/2020.

² Section 3.6B is now Section 3.3d in the revised MLTTP that was updated on 5/5/2020.

³ Section 3.6B3 is now Section 3.4a in the revised MLTTP that was updated on 5/5/2020.

Missing Proof of Reimbursement for Parking Overage

Example: On 2/25/2020, the Cardholder incurred a \$54 charge for parking at the airport daily garage for \$18 a day for a total of three days. The Cardholder stated he reimbursed \$24 (\$54 less \$30 = \$24) to the County for the parking overage. However, we did not find proof of reimbursement in the Wells Fargo system.

Upon auditor's inquiry, the Department provided the cash sale number to support the reimbursement of \$30 on 3/9/2020.

Page 58 of the APPM states, "Expenditures for goods and services must be reasonable and necessary. Reasonable purchases are those for basic goods and services obtained at the lowest possible price.....Services should be the least costly that still perform the required function. Necessary purchases are those required by County departments to fulfill their respective missions."

Section 3.6B3⁴ of the MLTTP also states that parking expenses are "reimbursable at the least costly rate reasonably available (e.g. economy parking lot at the airport)."

Please note that the revised MLTTP went into effect on 5/5/2020, which now states that travel-related expenses are "reimbursable at the least costly rate reasonably available (e.g. economy parking lot at the airport is preferred, however the daily or garage lot might be allowed under certain travel circumstances if approved by the Department Head)."

Supporting Documentation was Uploaded after the Reconciliation Period

We found instances in which the supporting documentation was uploaded into the Wells Fargo system after the reconciliation period (e.g., after the grace period had ended) and the Approver approved the statement without the supporting documentation. We did not find any documentation in the Wells Fargo system to explain the reason for the late submission.

Example: On 10/10/2019, the Cardholder purchased a computer monitor for staff to use. However, the supporting documentation was uploaded into the Wells Fargo system on 12/18/19, 34 days after the reconciliation period had ended.

Section 1.4 of the PCPPM discusses the post-purchase management control which states, "The Approver confirms that the transactions and associated supporting documentation from each of the Approver's assigned Cardholders are correct and that there is sufficient documentation and backup for all transactions."

Recommendation #2

We recommend Cardholders start the reconciliation process as soon as the purchase cycle has closed to ensure all related documentation are submitted in the Wells Fargo system within the

⁴ Section 3.6B3 is now Section 3.4a in the revised MLTTP that was updated on 5/5/2020.

reconciliation period. If the Cardholders cannot review their statements by the grace period, they must notify their Approver in advance and upload proof of the communication in Wells Fargo system. Also, we recommend the Department designate a Reconciler to each Cardholder as the Reconciler can serve as a backup to reconcile and submit Cardholder statements.

For overnight travel, staff should complete a TR/SA prior to the travel and upload the approved TR in the Wells Fargo system or if SA was used, the SA number should be stated in the "Description" field. For reimbursement of lodging, an itemized hotel bill and other documentation required by the MLTTP should be uploaded. In addition, any additional approval from County Executive Officer (CEO), Department Head or designee that is required by County policies and procedures should be uploaded to support the transaction. We recommend the Approving Officials and LPAs perform a detailed review of the supporting documents to ensure completeness, accuracy, and compliance.

Going forward, if a condition or extenuating circumstance exists by the Cardholder which requires airport parking in a lot with a higher rate, then the Cardholder must include documentation in Wells Fargo supporting the justification (for the exception) and approval by the Department Head/the CEO or designee for expenditure exceeding Department Head authorities.

Department's Response:

The Department acknowledges the above noted recommendations. The Department does have an assigned Limited Program Administrator (LPA) which serves as the recommended role of department reconciler. Spend Authorizations are always prepared in advance for overnight travel by the Department's travel coordinator. Going forward, the card holder, approvers, and the LPA will ensure that the SA numbers are referenced in the Wells Fargo system description fields on all charges related to an existing spend authorization. In addition, Cardholders and approvers have been instructed to include backup email authorization and justification when extenuating circumstances exist pertaining to County Credit card purchase exceptions for expenditures exceeding Department Head authority.

Observations #3– Purchases were Shipped to a Personal/Non-County Business Address

We found instances in which procurement purchases were shipped to a personal/non-County business address.

Section 3.2C of the Procurement Procedures Manual (PPM) states, "The preferred method of ordering the Small Purchase is to provide the vendor with your County-issued Procurement Card.....Instruct the vendor to ship to the appropriate Department's business or working address. Orders must not be delivered to a third party (non-County business) or a personal address, without express approval from the Department Head."

Example: During the monitoring review period of January 1 to June 30, 2019, the Cardholder regularly purchased items for County business and shipped them to his home rather than to his work location. The Department stated that this is due to the location of the Cardholder's office (in a small, leased garage bay in a warehouse) which is not suited to receive deliveries. Therefore, the Cardholder shipped packages to his home at the request of the Department.

However, we did not find the Department Head approval in the Wells Fargo system to support the shipping to a personal address which is required by the PPM. When we inquired with the Department, they stated that after receiving the clarification the instances are against County Policy, they have subsequently obtained permission from the Sheriff's Office to have future deliveries to be received at the Burton Creek Sheriff sub-station.

Upon auditor's inquiry, the Department provided the express approval dated 1/15/2020, which authorized the cardholder to ship packages from Amazon to their personal residence.

Recommendation #3

We recommend the Cardholders and Approving Officials revisit and understand the PPM to ensure that Procurement Card purchases are following the County's procurement policies and procedures. If a purchase must be delivered to a non-County business or a personal address, the Cardholder should obtain express approval from Department Head and upload the approval in the Wells Fargo system.

Department's Response:

The Department acknowledges the above noted observation and recommendation. Cardholders, approvers and the Department LPA's will ensure the appropriate backup and authorizations are uploaded to the Wells Fargo system as backup to any transaction where the purchase must be delivered to a non-County address.

Observation #4– Lack of Detailed Description for Transaction

We found instances in which the Cardholder did not include a detailed description of the transaction to justify the purpose of County business.

Per Section 3.1.1 of the PCPPM, the Cardholder's actions include "adding a detailed description and updating the coding for each transaction."

Example #1: On 1/23/2020, the Cardholder purchased two track point caps (for laptop use) and did not provide the business purpose for the purchase (e.g., who was the purchase for and why the purchase was made). Specifically, the Cardholder stated "laptop mouse pointer" in the description.

Upon auditor's inquiry, the Department provided the detailed description of the transactions which confirmed the County business purpose.

Example #2: On 2/17/2020, the same Cardholder purchased a portable indoor desk fan and did not provide the business purpose for the purchase (e.g., who was the purchase for and why the purchase was made). Specifically, the Cardholder stated “desk fan 2” in the description.

Upon auditor’s inquiry, the Department provided the detailed description of the transactions which confirmed the County business purpose.

Recommendation #4

Without a detailed description, the reviewer/approver cannot determine the legitimate business purpose of the transactions. Therefore, we recommend the Cardholder include a detailed description explaining the County business purpose for the purchase in the “Description” field or on the supporting documents uploaded when he/she reconciles the statement. The description should provide sufficient information about the purpose of conducting County business.

Department’s Response:

The Department acknowledges the above observation and recommendation. Going forward, the cardholder, the approver and the Department LPA will ensure that a sufficient detailed legitimate business purpose for all County credit card purchases are noted within the Wells Fargo system with additional backup emails when necessary.

Observation #5 – Missing Sales Tax Amount

We found an instance in which sales tax was not collected by the merchant and the Cardholder did not record the correct amount in the "Sales Tax Due" field.

Section 2.4 of the PCPPM states, “Documenting sales/use tax for Procurement Card purchases not taxed or taxed incorrectly by the vendor is the responsibility of the Cardholder or assigned department staff. This information needs to be entered in the correct amount into the online system to ensure it is transferred into the County’s Accounting System and meets the County’s requirement for the Board of Equalization.”

Section 3.1.1 (Cardholder Actions) of the PCPPM states, “Sales and use tax should be verified on all purchases to ensure the amount charged is accurate. Guidelines can be found in the County’s Accounting Policies and Procedures Manual. If the amount of sales and use tax is incorrect or missing, the description field will need to begin with ST and the sales tax amount due will need to be corrected or recorded in the Sales Tax Due field for that transaction.”

Section 3.3.2 (LPA Actions) of the PCPPM states, “Ensure that the sales/use tax field is properly recorded as described above under RECORDING SALES AND USE TAX. The Limited Program Administrator is responsible for ensuring accurate Sales and Use Tax reporting for the department.” Further, Section 3.3.7 states, “If sales and use tax was not captured correctly during the Open Statement Cycle, the Limited Program Administrator shall complete the “Procurement Card Supplemental Sales/Use Tax Recap Sheet” and send it to the Auditor-Controller’s Office.”

Example: On 9/26/2019, the Cardholder purchased a taxable item for County business on Amazon totaling \$105.99. However, the merchant did not collect sales tax on the purchase. Therefore, the Cardholder should have entered \$7.68 ($\$105.99 \times 7.25\%$) for the sales tax amount due.

Upon auditor's inquiry, the Department completed the Procurement Card Supplemental Sales/Use Tax worksheet to record \$7.68 in sales tax.

Recommendation #5

We recommend Cardholders, Approver Officials, and LPAs review each Procurement Card purchase and verify that sales tax was applied by the merchant correctly, per the PCPPM, Sections 2.4, 3.1.1, 3.3.2, and 3.3.7. Also, Cardholders, Approver Officials and LPAs should be aware of when sales tax is applicable.

Department's Response:

The Department acknowledges the observation and recommendation. The IT Department cardholders, approvers and LPAs understand to review that the correct amount of sales tax has been applied to purchases where applicable. When missing, the Procurement Card Supplemental Sales/Use Tax worksheet will be prepared to record the missing tax and forwarded to the Auditor's office prior to the credit card period closing.

The Department's responses to the recommendations identified in our audit are included above. We did not audit the responses and accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Department's staff throughout the course of the audit.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Melissa Spak, Administrative & Fiscal Operations Manager
Brett Wood, Purchasing Manager, County Executive Office
Placer County Audit Committee